

**STATE OF IOWA  
DEPARTMENT OF COMMERCE  
BEFORE THE IOWA UTILITIES BOARD**

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<b>IN RE:</b>	:	<b>DOCKET NO.</b>	<b>RPU-2016-_____</b>
	:		<b>(TF-2016-_____)</b>
<b>LIBERTY UTILITIES (MIDSTATES</b>	:		
<b>NATURAL GAS) CORP. D/B/A</b>	:		
<b>LIBERTY UTILITIES</b>	:		

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**APPLICATION FOR REVISION OF RATES**

COMES NOW Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities (“Liberty Midstates”) pursuant to Iowa Code § 476.6 and Chapter 26 of the Iowa Administrative Code and requests that the Iowa Utilities Board (the “Board”) approve revisions in its rates and charges. In support of this request, Liberty Midstates states as follows:

1. Liberty Midstates is a Missouri corporation having its principal place of business in Iowa at 2547 Hilton Road, Keokuk, Iowa 52632. Liberty Midstates is a public utility as defined by Iowa Code § 476 and is subject to the Board’s ratemaking jurisdiction.

2. Liberty Midstates provides gas service to nearly 4,000 customers in Keokuk, Iowa and surrounding parts of Lee County, Iowa. All of these customers, in all of Liberty Midstates’ rate classes, will be affected by the revised rates proposed by Liberty Midstates.

3. The total annual cost to serve Liberty Midstates' Iowa customers is approximately \$3,176,268. The proposed tariff revisions filed with this Application are designed to increase Liberty Midstates' revenues by approximately \$1 million, or approximately 61.3% percent annually.

4. This application for revisions of rates is necessary to permit Liberty Midstates to recover its reasonable operating expenses and to provide Liberty Midstates an opportunity to earn a fair return on its investment in utility plant used and useful in provision service to its customers.

5. The most significant factors contributing to the need for increased revenue are:

- a. increase in investment in total plant in service since the last rate case of \$4 million, including an investment to upgrade two gate stations in Keokuk, Iowa totaling between \$1.4 million and \$1.7 million; and
- b. a steady decline in revenues in the amount of \$1.3 million or 40% since the last rate case in 2001 caused in significant part by declining gas consumption (by 27%) and population decline (by 13%).

6. Liberty Midstates' test period return on equity was -1.06%, well below the 9.82% authorized by the Board when it approved the settlement of Liberty Midstates' last rate case in Docket No. RPU-2001-0002. This reduction in earnings was primarily the result of increased net utility plan investment and a steady decline in revenues.

7. It is imperative that Liberty Midstates' financial condition improve if it is to attract capital on reasonable terms. The attraction of capital is a necessity if Liberty

Midstates is to be able to continue in its ability to provide safe and reliable gas service to its customers.

8. Liberty Midstates is proposing to revise its rates in the manner set out in the proposed tariff revisions filed with the testimony of Jill Schwartz as supported by Liberty Midstates' case-in-chief.

9. The testimony and exhibits filed with this Application, in compliance with the Board's rules, inform the Board as to the manner in which Liberty Midstates has arrived at its proposed rate revisions.

10. Pursuant to the requirements of Iowa Code § 476.6(2) (2016) and 199 IAC 26.5(1)"b", prior to filing this Application, but not more than sixty-two days prior to the filing, Liberty Midstates mailed to all of its retail customers a Notice of Rate Increase. A copy of the customer notice is filed with the Direct Testimony of Michael Beatty. Liberty Midstates received Board approval of its form of notice by order issued on July 21, 2016 in Docket RN-2016-0001. Supplemental mailing of the notice will be made to customers who request service subsequent to the initial mailing, until resolution of this case by the Board, pursuant to 199 IAC 6.5(1)"f"(5).

11. In accordance with the requirements of Iowa Code § 476.6 (2016) and 199 IAC 26.5, Liberty Midstates files herewith its case-in-chief in support of this Application. This filing is being made electronically in accordance with Board rules appearing in Chapter 14 of the Iowa Administrative Code and is comprised of the following:

- a. This Application, related exhibits, the proposed rates (*i.e.*, proposed tariffs), as required by 199 IAC 26.5(5) and Liberty Midstates' sworn testimony and exhibits filed in support of this Application;
- b. The additional evidence required of investor-owned utilities by 199 IAC 26.5(5)"e";
- c. The workpapers underlying the testimony and exhibits filed in support of revisions of rates proposed by Liberty Midstates as required by 199 IAC 26.5(5)"f", and includes electronic exhibits and workpapers as required by 199 IAC Rule 7.7; and
- d. An Electronic Filing Index listing each filed document.

14. In accordance with the requirement of using a historic test year, Liberty Midstates proposes that the Board use the twelve months ended December 31, 2015 as the test period in this proceeding, the base historical period to which known and measurable adjustments should be made to reflect the conditions that will prevail in the prospective period. The twelve-month period should be used because it reflects the Company's latest audited financial results, and fulfills the requirement that the Board "consider the use of the most current test period possible in light of existing and verifiable data respecting costs and revenues available as of the date of commencement of the proceedings." *See* Iowa Code § 476.33(4) (2016) and 199 IAC 26.11(1).

15. As authorized by Iowa Code § 476.6(10)(2016) and 199 IAC 26.5(8), Liberty Midstates is filing simultaneously herewith a Notice stating its intention to place interim rates into effect 10 days following this filing. Those interim rates represent 50%

of the requested revenue increase supported by testimony and exhibits filed in support of the case-in-chief and additional documentation filed in specific support of the interim rates.

WHEREFORE, Liberty Midstates respectfully requests that the Iowa Utility Board approve Liberty Midstates' Application for Revision of Rates as filed herein and as supported by Liberty Midstates' case-in-chief and other documentation filed herewith.

Respectfully submitted,

/s/ Rachel T Rowley

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